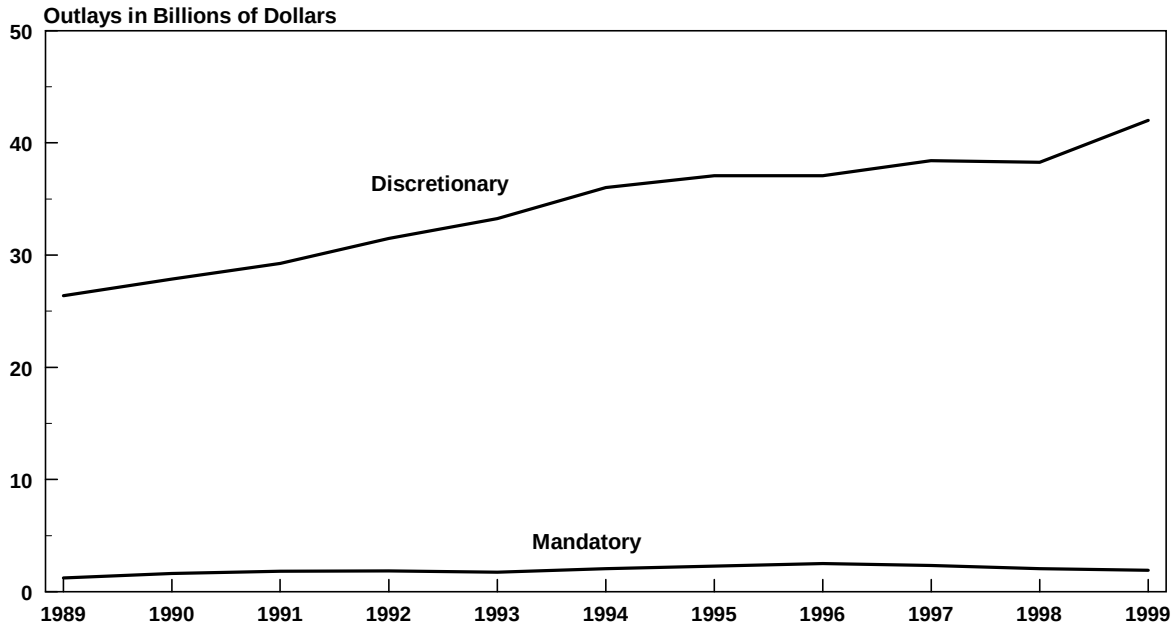
400

Transportation

Budget function 400 funds most programs of the Department of Transportation as well as aeronautical research by the National Aeronautics and Space Administration. It covers programs that aid and regulate ground, air, and water transportation, including grants to states for highways and airports and federal subsidies for Amtrak. CBO estimates that in 1999, discretionary outlays for function 400 will total over $42 billion. Discretionary budget authority provided for the function in 1999 is more than $14 billion. (Funding for some transportation programs is provided by mandatory contract authority.) Over the past 10 years, spending under function 400 has accounted for about 2.5 percent of federal outlays.



400-01 ELIMINATE FEDERAL SUBSIDIES FOR AMTRAK

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	0	0
2001	0	0
2002	0	0
2003	609	244
2004	609	609
2005	609	609
2006	609	609
2007	609	609
2008	609	609
2009	609	609
Cumulative		
2000-2004	1,218	853
2000-2009	4,263	3,898

SPENDING CATEGORY:

Discretionary

This option would eliminate all federal subsidies for the National Railroad Passenger Corporation, commonly known as Amtrak, by the end of 2002. The Congress has appropriated $609 million for Amtrak in 1999; however, according to Amtrak's strategic business plan, Amtrak should be self-supporting on an operational basis by the end of 2002. By requiring Amtrak to finance its capital investments without federal assistance, the government would save $3.9 billion over the 2000-2009 period.

When the Congress established Amtrak in 1970, it anticipated providing subsidies for a limited time only, until Amtrak could become self-supporting. By the late 1970s, however, annual federal subsidies had risen to more than $1 billion. In fact, Amtrak has consumed more than $20 billion in federal subsidies since its creation.

In 1981, the Administration proposed substantial cuts in federal funding. Amtrak subsequently raised fares and reduced costs, and subsidies declined to about $600 million a year in the late 1980s. In the early 1990s, federal subsidies rose again, to about $950 million in appropriations in 1995, before declining to the current level. In addition to appropriations, Amtrak received $2.2 billion (in credits for tax refunds) under the Taxpayer Relief Act of 1997 for capital improvements and maintenance. This option would require Amtrak to continue on the path of cutting costs and increasing revenues.

Proponents of eliminating federal subsidies contend that the time has come for Amtrak to be self-supporting, as initially envisioned. Without federal subsidies, Amtrak would have to focus on service that has the greatest potential for financial success, such as the Metroliner's high-speed service along the congested corridor between Washington and New York City, where passengers are willing and able to pay the full cost of the service. Without subsidies, proponents argue, Amtrak would improve efficiency and equity in its operations and investments. Regarding equity, people who favor eliminating subsidies claim that it is unfair for the federal government to subsidize business travelers, who make up a substantial share of Amtrak passengers in congested corridors, and vacationers with high incomes. Under this option, states or local governments that want to keep Amtrak service in their areas could provide subsidies.

Opponents of ending subsidies say that reducing federal support would cause Amtrak to cancel service on lightly traveled routes, possibly leaving passengers in those areas without alternative transportation. They also note that subsidizing rail service in congested areas may be justified as a way of offsetting the congestion costs imposed on and by users of highways, airports, and airways. Retaining federal subsidies for Amtrak, especially for serving congested corridors, may help balance those costs. Moreover, improving service on some corridors could strengthen the national passenger rail system by providing linkages to better-performing routes.

400-02 ELIMINATE GRANTS TO LARGE AND MEDIUM-SIZED HUB AIRPORTS

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	858	146
2001	858	506
2002	858	695
2003	858	781
2004	858	824
2005	858	858
2006	858	858
2007	858	858
2008	858	858
2009	858	858
Cumulative		
2000-2004	4,290	2,952
2000-2009	8,580	7,242

SPENDING CATEGORY:

Budget authority is mandatory.
Outlays are discretionary.

Under the Airport Improvement Program (AIP), the Federal Aviation Administration (FAA) provides grants to airports for expanding runways, improving safety and security, and meeting other capital needs. From 1982 to 1997, nearly 44 percent of AIP funding went to large and medium-sized hub airports—the 70 or so airports that together account for nearly 90 percent of passenger boardings. This option would eliminate AIP funding for those airports but continue funding for smaller airports at levels consistent with those of 1999, assuming that the smaller airports will receive about 56 percent of the $1.95 billion made available in 1999, or about $1.1 billion.

Budget authority for the AIP is provided in authorization acts as contract authority, which is a mandatory form of budget authority. Spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, outlays from AIP contract authority are categorized as discretionary. Contract authority and obligation limitations allow an agency to enter into financial obligations that will result in future outlays. This option assumes that both budget authority and obligation limitations are reduced, saving $7.2 billion over the 2000-2009 period.

People who want to end the grants maintain that larger airports do not need federal funding and that federal grants simply substitute for funds that airports could raise from private sources. Because of their large volume of traffic, those airports generally have been able to finance investments through bond issues, passenger facility charges, and other user fees. In contrast, smaller airports may have more difficulty raising funds for capital improvements, although some have succeeded in tapping the same funding sources as their large counterparts. Supporters of this option argue that it would focus federal spending on airports that most need federal aid.

Proponents of continuing federal grants to larger airports argue that the controls exerted by the FAA as conditions of receiving aid ensure that the airports will continue to make investment and operating decisions that are consistent with the national interest of providing a safe and efficient aviation system.

400-03 ELIMINATE THE ESSENTIAL AIR SERVICE PROGRAM

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	50	30
2001	50	50
2002	50	50
2003	50	50
2004	50	50
2005	50	50
2006	50	50
2007	50	50
2008	50	50
2009	50	50
Cumulative		
2000-2004	250	230
2000-2009	500	480

SPENDING CATEGORY:

Mandatory

The Essential Air Service (EAS) program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated air service before deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. Subsidies currently support air service to 114 U.S. communities, including 26 in Alaska (for which separate rules apply). The number of passengers served annually has fluctuated in recent years, as has the subsidy per passenger, which has ranged from $4 to $400. The Congress has directed that such subsidies not exceed $200 per passenger unless the community is more than 210 miles from the nearest large or medium-sized hub airport.

This option would eliminate the EAS program, thus providing savings in mandatory outlays of $480 million from 2000 to 2009. To adopt this option, the Congress would have to modify the provision of the Federal Aviation Reauthorization Act of 1996 that authorized $50 million a year in direct spending for the EAS program. That law also authorized the Federal Aviation Administration (FAA) to collect up to $100 million in fees for specified air traffic control services (for certain aircraft flying over the United States but not taking off or landing at a U.S. airport), of which $50 million was to be made available for the EAS subsidies. The law further provided that even if the FAA did not collect $50 million in fees, it still had to provide that amount for the EAS program. The FAA's initial fee structure was overturned in court, however. While the agency is developing a new fee structure, it is collecting no fees. This option would not affect fee collection, but it would sever the link between fees and EAS subsidies. Phasing out the program over several years would mitigate disruptions.

Critics of the EAS program contend that the subsidies are excessive, providing air transportation at a high cost per passenger. They also maintain that the program was intended to be transitional and that the time has come to phase it out. If states or communities derive benefits from service to small communities, the states or communities could provide the subsidies themselves.

Supporters of the subsidy program claim that it prevents the isolation of rural communities that would not otherwise receive air service. Subsidies are not available for service to communities located less than 70 miles from a large or medium-sized hub airport (except in Alaska). The availability of airline transportation is an important ingredient in the economic development of small communities. Without continued air service, according to some proponents, some towns might lose a sizable portion of their economic base.

400-04 ELIMINATE NASA's SUPPORT FOR PRODUCERS AND USERS OF COMMERCIAL AIRLINERS

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	216	102
2001	270	224
2002	270	259
2003	270	269
2004	270	270
2005	270	270
2006	270	270
2007	270	270
2008	270	270
2009	270	270
Cumulative		
2000-2004	1,296	1,124
2000-2009	2,646	2,474

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

250-01

The National Aeronautics and Space Administration (NASA) funds two programs that develop technology and systems intended for use in commercial airliners to preserve the U.S. share of the current and future world airliner market. The first, the Advanced Subsonic Technology program, explores technologies that would create safer, more fuel-efficient, less polluting, and cheaper airliners than today's models. The program also supports the development of technologies that could extend the life of existing aircraft. The second program, the High-Speed Research program, involves a cooperative venture with U.S. industry for developing an economically viable commercial supersonic airliner. This option would eliminate both programs, saving $2.5 billion over 10 years.

The case for eliminating the programs is that the research and development (R&D) necessary to maintain U.S. market share is a private rather than a public responsibility. Aircraft company owners and employees benefit from success in the world market; therefore, they should pay for the R&D necessary to produce better aircraft, according to that argument. Sizable investments are needed to develop, produce, and market a new commercial aircraft—$8 billion to $10 billion by some estimates—and developing new aircraft requires many years. Neither of those facts, however, should affect whether the public or private sector pays for producing the necessary technologies. Moreover, the Boeing Company's recent decision to withdraw its participation from the High-Speed Research program indicates a lack of private-sector interest.

The case for continuing the programs is based largely on the unique competitive features of the market for large commercial aircraft. The United States and the European Union have a bilateral agreement permitting public support for developing commercial airliners. If the federal government failed to grant U.S. aircraft companies support comparable with that provided by the governments of European competitors, advocates of ending the programs argue, U.S. producers would face a severe disadvantage in the global market.

A second argument for continuing NASA's expenditures on the programs is that limitations on noise levels and atmospheric pollutants impose an unfunded federal mandate on aircraft producers and airlines. Federal funds spent for research on noise and pollution abatement, compared with funds spent for enhancing the economic viability of commercial aircraft, might be justified because those funds cover a cost that federal law imposes on the industry. The extent to which noise and atmospheric pollutants generated by jet air travel constitute unpaid "costs" that air travelers impose on the public at large, however, diminishes that argument. From that point of view, it is appropriate that aircraft producers, airlines, and, ultimately, air travelers pay the full social cost of their activities—including the cost of R&D for current and future jet aircraft.

400-05 ESTABLISH CHARGES FOR AIRPORT TAKEOFF AND LANDING SLOTS

	Added Receipts (Millions of dollars)
Annual	
2000	500
2001	500
2002	500
2003	500
2004	500
2005	500
2006	500
2007	500
2008	500
2009	500
Cumulative	
2000-2004	2,500
2000-2009	5,000

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

The Federal Aviation Administration (FAA) has established controls on airport takeoff and landing slots at four airports: Kennedy International and La Guardia in New York, O'Hare in Chicago, and Ronald Reagan Washington National Airport. Under this option, the FAA would charge annual fees for slots at those airports.

The FAA instituted limits on takeoff and landing slots in 1968 and allocated them to airlines without charge. FAA-controlled airports have about 3,500 air carrier slots and 1,000 commuter and general aviation slots. Airlines are allowed to buy and sell slots from and to each other, with the understanding that the FAA retains ultimate control and can withdraw the slots or otherwise change the rules for using them at any time.

Estimating the revenue from slot charges is difficult. Slot values vary by airport, time of day and season they are available, and other factors. Moreover, both legislative and administrative actions may reduce slot values substantially. Legislation under consideration in the 106th Congress would eliminate slot restrictions at Kennedy, La Guardia, and O'Hare and would increase the number at Ronald Reagan Washington National. Those provisions would eliminate or greatly reduce the value of existing slots. In addition, in recent years, the Secretary of Transportation has approved several exemptions to the slot rules to permit new service to rural areas or to increase competition. The effect of those exemptions on slot values is unclear. On the one hand, the increase in the supply of slots could diminish the value of each slot. On the other hand, exemptions for rural service could add to the value of some air carriers' slots by providing feeder traffic for their main routes. The amount of revenue that the government would obtain from annual charges would depend on similar factors. For those reasons, the Congressional Budget Office's revenue estimates are somewhat equivocal. CBO estimates receipts to be about $500 million annually, but they could be higher or lower depending on the structure of the slots' leasing arrangements—such as length, whether slots could be subleased, and usage requirements—as well as market conditions affecting the airline industry.

The main argument for establishing charges for slots is that public airspace is scarce and private firms and individuals should pay for the benefits that result from that scarcity. Furthermore, the charges would provide an incentive for using those scarce resources most efficiently.

The main argument against charging for slots is that the scarcity of slots at the four airports mentioned arises mainly from a lack of land and runway space; the fees are not intended to provide more capacity. Furthermore, if the current prices that airlines already pay in the private sale of slots accurately reflect their value, the proposal might not produce more efficient use of those scarce resources; the result would only redistribute the benefits from their use between the private and public sectors.

400-06 INCREASE USER FEES FOR FAA CERTIFICATES AND REGISTRATIONS

	Added Receipts (Millions of dollars)
Annual	
2000	4
2001	4
2002	4
2003	4
2004	4
2005	4
2006	4
2007	4
2008	4
2009	4
Cumulative	
2000-2004	20
2000-2009	40

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTION:

300-13

The Federal Aviation Administration (FAA) oversees a large regulatory program to ensure safe operation of aircraft within the United States. It oversees and regulates the registration of aircraft, licensing of pilots, issuance of medical certificates, and other similar activities. The FAA issues most licenses and certificates free of charge or at a price well below its cost of providing such regulatory approvals. For example, the current fee for registering aircraft is $5, but the FAA's cost of providing the service is closer to $30. The FAA estimates the cost of issuing a pilot's certificate to be $10 to $15, but the agency does not charge for the certificates. Imposing fees to cover the costs of the FAA's regulatory services could increase receipts by an estimated $20 million over the 2000-2004 period. Net savings could be somewhat smaller than those shown if the FAA needed additional resources to develop and administer fees.

The Drug Enforcement Assistance Act of 1988 authorizes the FAA to impose several registration fees as long as they do not exceed the agency's cost of providing that service. For general aviation, the act allows fees of up to $25 for aircraft registration and up to $12 for pilots' certificates (plus adjustments for inflation). Setting higher fees would require additional legislation. The Congress could provide for them in the legislation currently under consideration that would reauthorize the FAA.

Increasing regulatory fees might burden some aircraft owners and operators. That effect could be mitigated by setting registration fees according to the size or value of the aircraft rather than to the FAA's cost. FAA fees based on the cost of service, however, would be comparable with automobile registration fees and operators' licenses and thus likely to be affordable, especially when compared with the total cost of owning an airplane.

400-07 ESTABLISH MARGINAL COST-BASED FEES FOR AIR TRAFFIC CONTROL SERVICES

	Added Receipts (Millions of dollars)
Annual	
2000	2,000
2001	2,000
2002	2,000
2003	2,000
2004	2,000
2005	2,000
2006	2,000
2007	2,000
2008	2,000
2009	2,000
Cumulative	
2000-2004	10,000
2000-2009	20,000

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTION:

300-13

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

The Federal Aviation Administration (FAA) operates the air traffic control (ATC) system, which serves commercial air carriers, military aircraft, and such smaller users as air taxis and private corporate and recreational aircraft. Traffic controllers in airport towers, terminal radar approach control facilities (TRACONs), and air route traffic control centers (ARTCCs) help guide aircraft safely as they taxi to the runway, take off, fly through designated airspace, land, and taxi to the airport gate. Other ATC services include flight service stations that provide weather data and other information useful to small-aircraft operators.

This option would impose fees for ATC services that reflect the FAA's marginal costs of providing the services. The marginal cost of a flight equals the costs of each ATC service (or contact) provided for that flight. For example, a commercial flight from New York to San Francisco entails contacts with two airport towers, two TRACONs, and seven ARTCCs. Under this option, the airline would pay the sum of the marginal costs of each of those contacts. A 1997 FAA study estimated total marginal costs to be about $2 billion a year.

The amount of the government's total collections in fees based on marginal costs plus revenues from aviation user taxes could equal either more or less than the FAA's total expenditures. Currently, appropriations from the general fund finance part of the operational cost of the ATC system. The Airport and Airway Trust Fund, comprising revenues from user taxes (such as the airline passenger ticket tax), finances the rest of the costs. In recent years, the general fund's share of costs has averaged about $2 billion (or about half of total ATC costs). The amount provided from the general fund dropped to about $1 billion (or about one-quarter of ATC costs) in 1999. If charging users their marginal costs yielded larger federal collections than needed to cover future general fund contributions, the fees could be lowered or excise taxes reduced accordingly.

Fees based on marginal costs would affect different types of airline operations differently. Carriers mainly using hub-and-spoke networks would probably face higher fees than those providing nonstop origin-destination flights because of differences in the number of contacts with towers and TRACONs.

Imposing fees for marginal costs would encourage users to use the ATC system efficiently. Noncommercial users might reduce their consumption of ATC services, freeing controllers for other tasks and increasing the system's overall capacity. By analyzing the pattern of revenues from user fees, FAA planners could better decide on the amount and location of additional ATC investment, which would improve system efficiency.

The main argument against this option is that it would raise the cost of ATC services to users. Such a move could weaken the financial condition of some commercial air carriers.

400-08 DISCONTINUE FUNDING FROM THE GENERAL FUND FOR HIGHWAY PROJECTS

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	132	36
2001	132	91
2002	132	114
2003	132	121
2004	132	127
2005	132	129
2006	132	132
2007	132	132
2008	132	132
2009	132	132
Cumulative		
2000-2004	660	488
2000-2009	1,320	1,146

SPENDING CATEGORY:

Discretionary

The Transportation Equity Act for the 21st Century (TEA-21) authorized spending of about $175 billion from the Highway Trust Fund, which provides the appropriations for construction and maintenance of interstate highways and bridges and a variety of other federal efforts related to highways. That funding level represents an increase from previous authorizations. In 1999, the Congress appropriated from the general fund additional funding for highway programs above the level authorized by TEA-21. This option would discontinue making appropriations from the general fund for highway programs, saving $1.1 billion over the 2000-2009 period.

The Appalachian Development Highway Program (ADHP) exemplifies one program that would not receive additional funding under this option. It also serves as the basis for estimating the amount of money that this option could save. The Congress has appropriated $132 million from the general fund for roads in the ADHP. That amount was in addition to TEA-21's authorization of $450 million annually (subject to contract authority to be appropriated from the Highway Trust Fund) for the ADHP. Before 1998, ADHP received about $100 million annually. This option assumes that no additional outlays would be provided from the general fund after 1999.

People who favor discontinuing the use of the general fund for funding highway projects contend that TEA-21 was the appropriate authorizing legislation for the Congress to use in deciding how much to spend on highways and how to set priorities for road projects. They argue that the additional $132 million from the general fund was not scrutinized as much as the funds authorized by TEA-21. In addition, proponents of this option maintain that highway funding under TEA-21 has increased significantly compared with previous years, currently providing much more funding for ADHP than in recent years. Opponents of this option argue that the funding is needed to promote economic development in areas that have lagged behind the rest of the country and that the Appalachian region has been short-changed for many years.

400-09 IMPOSE A USER FEE TO COVER THE COST OF THE FEDERAL RAILROAD ADMINISTRATION'S RAIL SAFETY ACTIVITIES

	Added Receipts (Millions of dollars)
Annual	
2000	61
2001	61
2002	61
2003	61
2004	61
2005	61
2006	61
2007	61
2008	61
2009	61
Cumulative	
2000-2004	305
2000-2009	610

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

The function of the Railroad Safety Program is to protect railroad employees and the public by ensuring the safe operation of passenger and freight trains. Field safety inspectors are responsible for enforcing federal safety regulations and standards. Other functions include issuing standards, procedures, and regulations; administering postaccident and random drug testing of railroad employees; providing technical training; and managing highway grade-crossing projects.

Railroad safety fees, which had been authorized in the Omnibus Budget Reconciliation Act of 1990, expired in 1995. Before 1995, railroads were subject to the Federal Railroad Administration's (FRA's) safety oversight user fees that covered the safety enforcement and administrative costs of carrying out FRA's mandated safety responsibilities. Those fees offset a portion of federal spending on safety programs. As of 1995, the FRA does not receive any funding from user charges for operating its safety program.

This option would impose new user fees to offset 100 percent of the costs of the Railroad Safety Program—$600 million over 10 years. Those in favor of user fees contend that the specific recipients of government services should bear the cost of those services. The user fees would relieve the general taxpayer of the burden of supporting the Railroad Safety Program.

People who oppose having users pay for the service contend that the general public is the main beneficiary of the Railroad Safety Program. Critics of this option also note that other than businesses in the pipeline industry, no other freight or transportation businesses pay safety user fees.